

OFFER OF DRILLING SERVICES
DATE -APRIL 24, 1991

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IN CONSIDERATION OF THE MUTUAL PROMISE, CONDITIONS AND AGREEMENTS HEREIN CONTAINED AND THE SPECIFICATIONS, SPECIAL PROVISIONS SET FORTH IN SCHEDULES "A" THROUGH "C" ATTACHED HERE TO AND MADE OF PART HERE OF, CONTRACTOR OFFERS TO UNDERTAKE THE WORK ON A CONTRACT BASIS.

DIVISION OF
OIL GAS & MINING

1. THE CONTRACTOR PROMISES AND AGREES:

- 1.1 To furnish equipment as per Schedule "a" attached.
- 1.2 To furnish personnel as per Schedule "b" attached.
- 1.3 To provide a room and board allowance for the personnel furnished by the contractor.
- 1.4 To provide parts, supplies, materials, fuels, lubricants, ect. pertinent to the efficient performance of this undertaking, excepting casing, cement, drill mud, additives, rotary, diamond and down the hole hammer bits when working by the hour. Contractor will provide all bits and drilling fluids when working by the foot.
- 1.5 To procure, at the request of the clients representative all materials, personnel and equipment necessary for the efficient operation and completion of the drilling assignment. Compensation for the procurement of such additional supplies, materials, personnel, and equipment shall be at the rate set forth in Schedule "c" attached.
- 1.6 To leave the drill site free of all debris resulting from the work performed by the contractor excepting drill cuttings.
- 1.7 To conduct all operation hereunder in full compliance of all rules and regulations adopted by any legal government ordinance whether Federal, State, Municipal or City.
- 1.8 To prepare a daily drill log summarizing in detail the days activities including consumable and chargeable items. One copy of the daily drill logs will be provided the clients representative.
- 1.9 To provide and maintain insurance coverage with an insurance company of companies authorized to do business in the state where the work is to be performed and satisfactory to the client. Contractor will if requested to do so by the client, procure from the company or companies writing said insurance, a certificate satisfactory to the client that said insurance is in full force and effective and that same shall not be cancelled or materially change without ten days prior written notice to the client.
- 1.10 To operate the contractor's equipment on a basis which is mutually agreeable to contractor and client.
- 1.11 To commence drilling operations within the specified time and to diligently continue the work until it is completed or until the assignment is terminated as hereinafter provided.
- 1.12 To render an invoice for services performed promptly upon reciet of client signed drill logs.
- 1.13 To conduct drilling and sampling operation in accordance with the procedures.

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2. THE CLIENT PROMISE AND AGREES:

2.1 It is recognized that the client has superior knowledge of the location of the work, the access routes to the location of the work, surface and sub-surface conditions, weather patterns, ect. and client is obligated to advice contractor of all or any of the conditions that may affect contractor's performance of this undertaking. Additional, prior to the commencement of drilling at the drilling location named herein, the client shall have determined and marked the location of the bore holes and shall have made provisions for right-of-way, reasonably maintained access roads, sound locations, adequate in size and capable of properly supporting the drill unit. The client shall procure all entry permits and hold harmless the contractor for claims of trespass or damage to property required in carrying out the work contemplated by the client. The client will provide towing and other assistance as may be required for the satisfactory performance of the undertaking.

2.2 The client shall be responsible for all underground utilities, the plugging of bore holes and the refurbishing of the ground surface as may be required.

2.3 That should it direct, in writing, the contractor to furnish supplies, materials, personnel, and equipment other than those items specifically furnished by contractor in Schedules "a", "b" of this quotation, the client will reimburse contractor for those items as detailed in Schedule "c" attached.

2.4 Client agrees to pay contractor for the mobilization and demobilization of personnel and equipment, for services provided and for materials supplied at the rates as detailed in Schedule "c". Herein within thirty days after the receipt of contractor's invoice.

2.5 The client shall be responsible for the handling, transporting, and safekeeping of the geological samples and will provide all sample bags and or containers for the storage of the samples unless otherwise noted.

3. OTHER SPECIAL CONSIDERATIONS:

3.1 Contractor's invoice for services provided are net, due and payable upon receipt. Invoice unpaid thirty days after date of invoice will be subject of a delinquency charge of 1 percent per month (12% per annum). Client agrees to pay reasonable attorney's fee and other cost of collection after default and referral to an attorney.

3.2 All the information and data obtained by reason of, or in connection with the work, work shall be the exclusive property of the client. The contractor will keep all such information and data strictly confidential and will not divulge or use, or permit any employees to divulge or use any information or data so obtained.

3.3 All risk and damage to contractor's equipment, tools, machinery, ect. shall be at all times borne and assumed by the contractor unless client expressly agrees to reimburse contractor for loss or damage while working under hazardous conditions as discussed in Schedule "c" compensation rates. Applies to a footage rate.

3.4 When performing services at an hourly rate, in circumstances other than drillers neglect, client will be responsible for paying for tools lost in holes at actual cost, adjusting for equipment life and wear.

3.5 Contractor agrees that the services provided herein will be performed as an independent contractor. The exclusive direction, management and control of the employees of contractor and of the work to be done under the provisions of this contract shall always reside in contractor.

3.6 That neither party to this agreement shall be liable for any loss or damage caused by reason of strikes, accidents, acts of God, action of the elements, or any other causes beyond its control.

3.7 That this assignment is based upon contractor performing this assignment with his regular drilling crew and under a non-union operation.

3.8 This agreement shall continue in force until the drilling assignment is completed or until cancelled by either party hereto, such cancellation to be effective immediately upon notification.

3.9 This agreement will be governed by and construed in accordance with laws of the state of Utah.

THE FOREGOING OFFER OF DRILLING SERVICES IS MADE BY:
STEYENS DRILLING COMPANY

By Robert Steyens

Title President

THE FOREGOING OFFER OF DRILLING SERVICES IS ACCEPTED BY:
RANCHO EQUIPMENT

By _____

Title _____

Date of Acceptance _____

SCHEDULE "A"
Schedule of Equipment To Be Supplied

1. 1 reverse circulation dual tube rig equipped with 850 CFM at 350 PSI screw compressor.
2. 1 4X4 pickup truck
3. Drill bit sub and adapter for tricone and or down the hole hammer drilling up to a 5 1/2 hole diameter.
4. Appropriate splitter for wet or dry sample.
5. 1 mission sd-5 hi pressure down the hole hammer tool.

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SCHEDULE "B"
Schedule Of Personnel To Be Furnished

DRILLER --1---

DRILL HELPER --1---

SAMPLERS --0---

SUPERVISOR --1--- AS NECESSARY

SCHEDULE "C"
Compensation Schedule

- A. Mobilization:
Total cost of mobilization from point of origin to the first drill location and demobilization from the last drill site upon completion of the program will be, No Charge.
- B. Drilling - Hourly Rate:
Hourly work performed by the contractor will be charged at the rate of \$190.00 per hour. This would include setting casing to insure sample quality or safety of contractor's pipe, reaming, cementing, coring, ect. All bits and materials used while working under hourly rates will be charged to client at cost plus tax and freight.
- C. Moving Between Holes:
Moving between holes will be charged to the client at the rate of \$190.00 per hour.
- D. Water Haulage:
Water truck will be furnished and water hauled by contractor at No Charge.
- E. Auxillary Air Compressor - Booster:
If required for extremely large volumes of water, a booster will be furnished by the contractor and charged to the client at contractors cost, not to exceed \$3,000.00 per month.
- F. Hazardous Drilling/Compensation For Stuck or Abandoned Drill Pipe and Tools, Notification of Client Ect.
1. Should down the hole condition be such as to preclude the drilling of the bore hole to the desired maximum depth, the driller, in consultation with the client and/or client's representative, would jointly decide the maximum safe depth and there decision would be binding upon both the contractor and client.
 2. In the event that contractor would be required to drill through old mine workings (shaft, slopes, and drifts) which could result in stuck and or broken tools and drill pipe, the driller in consultation with the client and/or clients representative, would jointly decide the maximum safe depth and thier decision would be binding upon the contractor and the client.

3. The contractor recognizes the possible need to drill into hazardous depths, formations or old workings due to thier possible geological value to the client's project. If the driller encounter either or both of the above conditions, he will notify the client that a possible hazardous condition exists. Also the client will be responsible for a maximum of 16 hours of rig time trying to recover the stuck drill tools or pipe unless it is agreed on that it would be cheaper to replace than to fish for the tool. once driller and client's representative have agreed upon a course of action it will be written on contractor's drill log and initalled by both parties.